

Film festival sponsorship. A nonprofit organization formed to promote the art of filmmaking by conducting annual festivals to provide unknown independent filmmakers with opportunities to display their films and by sponsoring symposiums on filmmaking qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable and educational purposes.

The organization was formed to promote the art of filmmaking by providing unknown independent filmmakers the opportunity to display their films to members of the film community and the general public. In furtherance of this purpose, the organization conducts an annual film festival. The organization considers an unknown independent filmmaker as an individual who has not achieved any substantial degree of commercial success, is not affiliated in any manner with a commercial film organization, and is not generally known to the industry and those knowledgeable about the industry.

The organization solicits films for the festivals through advertisements. Many of the persons who submit films are students of filmmaking at various universities. Individuals submitting films are charged a fee which is designed solely to cover the costs of returning films to the filmmakers after they have been screened or shown at the festivals.

Films submitted for the festivals are screened by a selection board consisting of persons who have achieved reputations as experts in various artistic fields. The basic criterion employed by the board in determining the films to be shown at the festivals is the artistic merit of the film being screened. The board generally rejects films that have clear commercial overtones and are likely to appeal to commercial film distribution companies.

The organization does not sell films shown at the festivals. The films remain the property of the filmmakers. Also, the organization does not encourage or participate in any negotiations for commercial exploitation of the films.

In addition to showing films at the festivals, the organization conducts symposiums that are designed to educate the public, students of films, and aspiring filmmakers in new techniques and artistic developments in the film industry. These symposiums are open to the general public and consist of lectures and discussions conducted by persons with established and recognized expertise as filmmakers and by the makers of the films shown at the festivals.

In addition to the above described return mailing fees that are charged to individuals submitting films, receipts of the organization consist of contributions and admission fees to the festivals. The organization disburses its funds for operating expenses.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable and educational purposes.

It has been recognized that organizations devoted to the promotion and development of the arts may qualify for exemption as educational and charitable organizations. See Rev. Rul. 65-271, 1965-2 C.B. 161.

By providing a forum in which unknown independent filmmakers may display their works and by conducting symposiums on filmmaking, the organization is promoting and developing filmmaking as a form of art and thus is furthering charitable and educational purposes.

Although a forum that displays works of arts by its nature may enhance the reputation of the creating artists and may ultimately lead to financial reward for them, in this case such a possibility is merely a byproduct of the organization's objective which is to promote a form of art. Compare Rev. Rul. 66-178, 1966-1 C.B. 138, which holds that a nonprofit organization created to foster and develop the arts by sponsoring a public art exhibit at which the works of unknown but promising artists are selected by a panel of qualified judges for viewing and are gratuitously displayed qualifies for exemption under section 501(c)(3) of the Code. See also Rev. Rul. 67-392, 1967-2 C.B. 191.

Accordingly, the organization is operated exclusively for charitable and educational purposes and thus qualifies for exemption from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See sections 1.501(a)-1 and 1.508-1(a) of the Income Tax Regulations.